

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 ARA-06 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 PA-01 PRS-01 /088 W

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R 220905Z SEP 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2430

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E.O. 11652: N/A

TAGS: COMECON, CU, EFIN, JA

SUBJECT: PRIVATE JAPANESE LOAN TO CUBA

1. FONOFF (KUROKAWA, SECOND CENTRAL AND SOUTH AMERICAN DIV, DEPUTY DIRECTOR) HAS CONFIRMED PRESS REPORTS THAT GROUP OF PRIVATE JAPANESE BANKS ON SEPT. 3 ANNOUNCED AGREE-
MENT TO LEND FIVE BILLION YEN (ABOUT DOLS 17 MILLION AT CURRENT RATES) TO CUBA CENTRAL BANK IN ORDER ALLEVIATE FOREIGN EXCHANGE SHORTAGE BANK NOW SUFFERING OWING DROP IN SUGAR FOREX EARNINGS WHICH WERE EXPECTED TO COVER PURCHASES CURRENT FIVE YEAR DEVELOPMENT PLAN. THIS IS FIRST LOAN FROM EXCLUSIVELY PRIVATE JAPANESE SOURCES TO COMECON COUNTRY. KUROKAWA NOTED THAT FOREIGN MINISTRY HAD NOT BEEN CONSULTED REGARDING THIS LOAN, AND HE AGREED WITH PUBLISHED REPORT IN ATTRIBUTING BANK OF JAPAN LOAN APPROVAL TO PRESSURE OF EXPORTERS ANXIOUS SAFEGUARD THEIR RAPIDLY RISING CUBA SALES.

2. MOF OFFICIAL (KISHIDA, DIRECTOR, SHORT-TERM CAPITAL DIV, INTL FINANCE BUREAU) CONFIRMED THAT MOFA HAD NOT BEEN OFFICIALLY CONTACTED ABOUT THE LOAN BECAUSE IT WAS A QTE PURELY COMMERCIAL TRANSACTION UNQTE. AS LOAN IS DENOMINATED IN YEN MOF APPROVAL ALSO WAS NOT REQUIRED
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ALTHOUGH JAPANESE BANKS KEPT MOF INFORMED RE NEGOTIATIONS.

3. LOAN IS BEING EXTENDED BY A CONSORTIUM OF ALL 13 CITY BANKS, ALL THREE LONG-TERM CREDIT BANKS, FIVE LARGEST TRUST BANKS, AND TWO MAJOR LOCAL BANKS. ACCORDING TO OFFICIAL AT BANK OF TOKYO WHICH IS SERVING AS CONSORTIUM MANAGER, INCLUSION OF VIRTUALLY ALL MAJOR JAPANESE BANKS IN A SINGLE LOAN AGREEMENT IS COMMON PRACTICE WHEN JAPANESE BANKS ARE EXTENDING A LOAN TO A FOREIGN GOVT.

4. LOAN TERMS INCLUDE SEVEN YEAR MATURITY AND FOUR YEAR GRACE PERIOD. BUT OFFICIALS ADMITTED GRACE PERIOD IS UNUSUALLY LONG BUT DECLINED TO DISCUSS WHY SUCH TERMS MIGHT HAVE BEEN REQUESTED BY CUBA. INTEREST RATE OF LOAN IS TOKYO PRIME RATE PLUS 0.7 PER CENT MARGIN. AT CURRENT INTEREST RATE, THIS IS 9.9 PER CENT BUT LOAN WILL BE DRAWN DOWN IN ACCORDANCE FIXED SCHEDULE AND LATER DRAW-DOWNS WILL BEAR DIFFERENT INTEREST RATES IF TOKYO PRIME RATE CHANGES.
HODGSON

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Margaret P. Grafeld
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